Acquisition Reform

**** *Update* ****

VISION FOR THE FUTURE

Cultural change is the essential ingredient for successful acquisition reform. While forging the changes in our acquisition process, we must also transform the way we think about our job. We will foster initiative and creative problem solving. We will challenge the old paradigm of risk avoidance, and replace it with risk management. We are building an educated, trained workforce that is empowered to effectively perform their responsibilities. With cultural change we will enhance the greatest asset we have for acquisition reform, our people.

-Nora Slatkin

OCTOBER 3: THE DON ACQUISITION REFORM KICK-OFF MEETING

The Honorable Nora Slatkin, Assistant Secretary of the Navy for Research, Development and Acquisition, hosted an executive level acquisition reform kick-off meeting in the

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Pentagon auditorium on 3 October. The audience consisted of the senior leadership in operations and acquisition from the Department of the Navy. Key speakers were the Honorable John Deutch, Deputy Secretary of Defense, and the Honorable John Dalton, Secretary of the Navy. In addition, Ms. Slatkin discussed specific areas of Acquisition Reform in the Navy.

The primary purpose of the meeting was to initiate the critical cultural changes required to successfully reform the acquisition process. For acquisition reform to be successful, cultural changes must begin at the highest levels of the Department and extend throughout the organization. In addition, it involves critical paradigm shifts that will challenge all senior Naval leaders and managers.

A video of this kick-off with the speaker presentations is being prepared and edited for distribution in the near future. For further information on this video contact CDR Mike LeValley at 703-602-2806 or fax 703-602-4514.

MR. DEUTCH: DOD IS COMMITTED TO ACQUISITION REFORM

The following is a summary of Mr. Deutch's comments at the kick-off meeting.

I'm very happy to be here with this audience of Navy and Marine Corps leaders, including representatives from OPNAV. It's very important that everyone understand what we're doing and the importance of it. From the moment that Secretary Perry and I began talking about joining the Administration, the possibility of real acquisition reform has been a critical topic, and one of his chief reasons for returning to government.

Acquisition reform is a critical issue for the DoD because we can longer afford past practices. Defense acquisition is a driving force in fewer and fewer sectors of the marketplace. To continue effectively supporting those who will go in harm's way, we must make the acquisition process 1) less costly, 2) provide better access to technology, and 3)

provide better technology.

We've had some real successes to show that this reform effort is for real. We've issued new guidance to move us away from unique DOD specifications for commercially available items, implemented and are now expanding our electronic commerce capabilities, and initiated pilot programs, such as JPATS and JDAM, for regulatory relief.

Finally, we <u>must</u> change the culture of our organization. We have a window of opportunity in the Clinton administration to institutionalize this change. However, it is going to take a dedicated, concentrated effort.

MR. DALTON: ACQUISITION REFORM AND THE DON

The following is a summary of Mr. Dalton's comments at the kick-off meeting.

I am very pleased to be here today with the senior leadership of our acquisition community and also planners and programmers from the OPNAV staff and other commands. I feel it is important that I start by saying thank you for the role you have played and continue to play in helping to fashion the most powerful, flexible and high-tech Naval Service in the world.

Despite our success, we in the DON are not blind to our faults. The Department of the Navy is totally committed to supporting the cause of acquisition reform and Nora and I are working closely with Deputy Secretary Deutch and Deputy Undersecretary Colleen Preston to ensure that it happens. We simply can not afford the old way of doing business.

There are many imperatives for acquisition reform. First, of course, is affordability. Second is the issue of attaining cutting edge technologies. Third is the need to foster a more dynamic military and industry relationship. Finally, there is the issue of economies of scale.

I am convinced that acquisition reform is going to work this time around because we are going back to change the basics. We are going to focus on insertion of advanced technology from the commercial side of industry, application of best commercial practices, and reduction of the cost of the acquisition process.

Establishment of the Navy Acquisition Reform Senior Oversight Council is proof of our

seriousness. This Council will ensure flag level participation by all players in Navy/Marine Corps requirements and acquisition, including end users, program managers, and staff personnel... not just acquisition folks.

As members of the Navy/Marine Corps "acquisition team," it is the task of each one of us to pursue reform aggressively. I think the key to being a successful acquisition executive today is a commitment to making the system better.

MS. SLATKIN: WHAT THE DON IS ACCOMPLISHING TODAY

The following is a summary of Ms. Slatkin's comments at the kick-off meeting.

ACQUISITION REFORM … sound familiar? I know some of you may be cautious in your optimism -- or maybe even skeptical. I know that it's been tried before but now **IT'S GOING TO WORK**!

It's going to work because 1) we simply cannot afford to continue with business as usual, 2) our top leadership has made real acquisition reform a <u>personal</u> goal, 3) we've gotten the basics of reform right, and 4) we've gotten the process right. The process is the key to achieving our goals -- the process of deciding <u>what we buy</u> and <u>how we buy</u> it.

Improving decisions on <u>what we buy</u> means understanding the mission need and recognizing that requirements generation is an integral part of acquisition. In support of this we established Acquisition Coordination Teams for our major programs, we established the Navy Acquisition Reform Senior Oversight Council, we implemented the shift toward commercial and performance specifications instead of military unique specifications, and finally, we are buying considerably more Commercial-Off-the-Shelf and Non-Developmental Items.

We will also improve <u>how we buy</u> by making the systems procurement process more efficient. In this area we are integrating the acquisition process with our contractors through Integrated Product and Process Development, we are making Integrated Product Teams part of every new acquisition program, we are streamlining contracting authority in the field, we are implementing Electronic Commerce/Electronic Data Interchange to replace the cumbersome paperwork with a modern system that is faster and more accessible, and we are trying to use modeling and simulation to save us time and money

in systems development and testing. In addition, Congress recently passed legislation to increase the threshold for simplified acquisition procedures. This is a real victory in our effort to get things out to the operational forces quicker.

But what else can we do to make acquisition reform work? Cultural change is at the top of our agenda. This involves changing the whole way we think about our jobs and the critical role each of us plays in the acquisition process. **The goal is to develop an acquisition culture that fosters initiative and risk management -- rather than risk avoidance.** To make cultural change happen we must empower our people, build partnerships with industry, and educate our workforce.

Thank you for coming here today. You are all part of a winning Navy-Marine Corps team that is changing how we do business -- throughout the entire Department of the Navy. You will make it happen and you will lead the way!

FEDERAL ACQUISITION STREAMLINING ACT OF 1994 SUMMARY

The President recently signed the Federal Acquisition Streamlining Act of 1994, intended to simplify and streamline the contracting process, facilitate purchases of commercial items and increase efficiency in the acquisition process. The Act was designed, in large part, around the recommendations of the Section 800 panel and the National Performance Review.

The Act repeals or substantially reforms over 225 provisions of procurement law. Reforms will affect essentially all aspects of the acquisition process. A brief description of some of the areas affected displays the breadth and scope of changes anticipated.

Contract Formation The new legislation reforms the process of negotiating and awarding contracts, including changes in methods for handling protests. Significant revisions have been made to the requirement for providing cost and pricing data which has been a major barrier in impeding commercial companies from doing business with the federal government.

Commercial Items The Act provides a statutory preference for commercial items and more broadly defines commercial items than in the past. It also provides exemptions from many statutory requirements when purchasing

commercial items at both the prime and the subcontractor levels. This will stimulate our planning process to concentrate on a broader range of commercial alternatives, and allow us to acquire state-of-the-art commercial technolgy from those companies who previously could not or would not set up the company infrastructures necessary to comply with government-unique procurement requirements.

Simplified Acquisition Threshold In a major innovation involving small purchase procurements, the Act establishes a Simplified Acquisition Threshold (SAT) of $100,000. Contracts under SAT are exempted from many statutory requirements applicable to other contracts. All agencies will be required to implement a Federal Acquisition Computer Network (FACNET) capability by 1999 in order to continue to use the $100,000 SAT threshold.

Service Specific and Major Systems Statutes Reporting requirements for major systems acquisitions have been significantly redefined and simplified. The requirement for preliminary Selected Acquisition Reports (SAR), for example, is eliminated entirely, and firm, fixed-price contracts are exempted from SAR requirements under the Act.

Acquisition Management The Act authorizes the establishment of five Defense Pilot Programs. These pilot programs are: Joint Primary Aircraft Training System (JPATS), Fire Support Combined Arms Tactical Trainer (FSCATT), Joint Direct Attack Munition (JDAM), Commercial Derivative Aircraft (CDA) and Commercial Derivative Engine (CDE). The purpose of the Pilot Programs is to take early advantage of conversion to a market-based system by removing barriers to the use of commercial practices and products.

Effective Dates and Implementation Portions of the Act will become effective immediately upon enactment, while other provisions will take effect on the date provided by implementing regulations or 1 October 1995, whichever is later. Future editions of *Acquisition Reform Update* will provide additional information concerning specific areas of this statutory reform.

Electronic Copies of the Acquisition Reform Update

Several of the acquisition command headquarters have the *Update* available on their

local area networks (LAN). However, this effort is not all inclusive and for readers without access to a LAN, who have access to a modem, the *Update* is available through the Best Manufacturing Practices Network (BMPNET). BMPNET provides communication between all Program Managers Work Station (PMWS) users. Features include downloading of all programs, E-mail, file transfer, help "lines", Special Interest Groups and electronic conference rooms. Through BMPNET, IBM or compatible PC's and Macintosh computers can run all PMWS programs. To access BMPNET, users need a special modem program. This program is obtained by calling BMPNET using a VT-100/200 terminal emulator set to 8,N,1. Dial (703) 538-7697 for 2400 baud modems and (703) 538-7267 for 9600 baud and 14.4 kb. When asked for a user profile, type DOWNPC or DOWNMAC <return> as appropriate. This automatically starts the Download of the special modem program. You can call back using this program and access all BMPNET functions. The General User account is:

USER PROFILE: BMPNET
USER I.D.: BMP
Password: BMPNET

Downloading the Update Files

Follow the six steps below to download the Update files via INTERNET:

1. Using FTP, open a connection to 20.6.1.5 or BMPNET.CSC.COM.
2. You will be prompted for a Login Name.
3. Login using the Login name "FTP". Your password will be your INTERNET E-Mail address.
4. Set file type to BINARY. VERY IMPORTANT.
5. Change the Working directory to AREFORM. (cd AREFORM) The system will display a listing of all the current files.
6. Using the "GET" or "MGET" (multiple gets) commands, retrieve the files you want.

Should you experience ANY problems, call the BMP Help Desk, at 703) 538-7253.

Correction

Bill McAninch, internet ID is mcaninch-william @hq.secnav.navy.mil. Thanks for your help.